AFRICAN GLOBAL COMPETITIVENESS INITIATIVE

BEST PRACTICES IN OVERSEAS REPRESENTATION

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BEST PRACTICES IN AFRICAN ENTERPRISE DEVELOPMENT

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Cover Photo: The African global competitiveness trade hubs showcase African products at trade shows.

Inside Cover Photo: Kenana Knitters began directly selling in small quantities to the U.S. market. As it began to receive larger orders, it developed a business relationship with a U.S.-based importer specializing in the handicrafts and home accessories market.
Photo: USAID/East Africa

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ACRONYMS

AFTT	Africa Fast Track Trade
AGCI	African Global Competitiveness Initiative
AGOA	African Growth and Opportunity Act
ATA	Aid To Artisans
ECA	East and Central Africa Global Competitiveness Trade Hub
EU	European Union
ICT	Information and Communications Technology
KSA	Knowledge Sharing and Analysis
KSAB	KSA Brief
SAGCH	South Africa Global Competitiveness Hub
SARCDA	South African Retail and Chemists Druggist Association
SIAO	Salon International de l'Artisanat de Ouagadougou
USAID	United States Agency for International Development
WATH	West Africa Trade Hub

INTRODUCTION AND OBJECTIVES

The African Global Competitiveness Initiative Knowledge Sharing and Analysis Brief (AGCI-KSAB) "Best Practices in Overseas Representation" examines the different ways U.S. Agency for International Development (USAID) implementers assist African firms in representing their products in overseas markets, including efforts by the firms themselves, as appropriate. The analysis determines what tools are essential and most effective for African firms to penetrate new export markets whether by U.S.-based agent or distributor, find a wholesaler, take advantage of informal and formal Diaspora representation, and attend trade shows. This study focuses on the four African Global Competitiveness Hubs (Trade Hubs) as well as other selected USAID and other donor projects.

The prospect of exporting, particularly for a relatively inexperienced company contemplating an entry strategy in a market as complex as the United States, can be quite daunting. A company wishing to export faces a myriad of issues, not the least of which is: How will I sell my product in the target market? There is, of course, a range of ways to do so. It is important, therefore, to look at the common sales channels that are open to any exporter. Although any strategy may be employed at any time, it is critical to have a clear understanding of the differences inherent in each.

A Presidential Initiative, the African Global Competitiveness Initiative (AGCI) was conceived in 2005 to support African policymakers in reducing poverty and raising living standards by advancing trade-led economic growth. In this way, AGCI is able to help African countries take better advantage of open trade and the African Growth and Opportunity Act (AGOA). The AGCI program is funded at a level of $200 million over five years. AGCI is implemented by the three regional USAID missions in Africa, more than 10 bilateral USAID missions, several U.S. Government (USG) agencies, and USAID/Washington. The largest individual beneficiaries of AGCI funding are the four African Global Competitiveness Hubs located in Botswana, Kenya, Ghana, and Senegal.

The Knowledge Sharing and Analysis (KSA) project supporting AGCI is a three-year effort funded by USAID. KSA is intended to improve USAID/Africa's collection, analysis, and dissemination of data and program information related to AGCI projects with a focus on four technical areas – enabling environment policy reform, enterprise development, access to finance, and overcoming infrastructure constraints. KSA supports AGCI's overall goal of boosting African competitiveness and trade-led, economic growth by analyzing and disseminating best practices, resources and toolkits, and other program information to key audiences, including sub-Saharan African country governments, USAID missions, USAID's African Global Competitiveness Hubs, regional trade organizations, relevant USG agencies, and international donors.

KSA's project objectives include:

- Improving AGCI's knowledge sharing strategy, practices, and tools;
- Strengthening USAID/Africa's performance monitoring and reporting on AGCI activities;

- Analyzing and disseminating best practice information, including through periodic Knowledge Sharing and Analysis Briefs (KSABs), best practice events, and other tools; and
- Improving on the management and content of USAID's portion of the annual AGOA Forums.

AGCI's primary objective is to improve export competitiveness of sub-Saharan African enterprises in order to expand African trade with the United States and other international trading partners. This includes implementing better trade-led economic policies and increasing the capacity for African firms to compete in the global marketplace by:

- Improving the business and regulatory environment for private sector-led trade and investment;
- Strengthening the knowledge and skills of African private sector enterprises to take advantage of market opportunities;
- Increasing access to financial services for trade and investment; and
- Facilitating investments in infrastructure.

Under AGCI, competitiveness is defined as the ability to achieve success in stimulating trade and private sector-led growth, and better standards of living for all.[1] As such, AGCI builds on the Trade for African Development and Enterprise (TRADE) Initiative. TRADE was a four-year $70-million Presidential Initiative implemented by USAID in 2001 to help African countries improve their competitiveness and gain greater access to global markets. To implement the TRADE Initiative, the three regional missions in Africa established the regional African Global Competitiveness Hubs in their respective regions in 2002.

The East and Central African Global Competitiveness Hub (ECA) is overseen by USAID/East Africa in Nairobi, Kenya; USAID/Southern Africa manages the Southern African Global Competitiveness Hub (SAGCH) in Gaborone, Botswana, and USAID/West Africa oversees the West Africa Global Competitiveness Hubs (WATH), with offices in Accra, Ghana, and in Dakar, Senegal. These three regional missions and selected USAID bilateral missions implement AGCI in partnership with their respective host country governments, African institutional counterparts, private sector firms, civil society organizations, and other donors in any of the 40 AGOA-eligible countries.

The AGCI interagency process is led by the Department of State. USAID serves as the AGCI implementing agency and Secretariat for interagency executive and working groups along with technical committees. USAID's Africa Bureau provides the required management oversight of implementation given the broad scope of this Presidential Initiative.

One of the main obstacles to creating and maintaining market linkages, particularly for African enterprises, is the perceived communications and presence gap between African would-be exporters and buyers in industrial country markets. To bridge that gap, different export promotion and market linkage supporters implement a wide variety of overseas representation models, depending on a number of factors – with the goal of maximizing the return of exports with the investment made in representation.

[1] Definition of the National Competitiveness Council (USA).

COMMON SALES CHANNELS

The prospect of exporting can be quite daunting – particularly for a relatively inexperienced company contemplating an entry strategy in a market as complex as the United States. A company wishing to export faces a myriad of issues, not the least of which is: How will I sell my product in the target market? There is, of course, a range of ways to do so. It is important, therefore, to look at the common sales channels that are open to any exporter. Although any strategy may be employed at any time, it is critical to have a clear understanding of their differences. Each method has its pros and cons, requisite responsibilities, and potential pitfalls. Having an understanding of the full range of issues will not only enable the exporter to select the best and most effective market penetration strategy, it will also avoid possible problems – legal or otherwise – that might arise in the future with the business partner in the target market. So let us start with simple, working definitions of each major component of the sales channel. Short of maintaining a physical presence or direct link in the export market via sales offices or stock warehouses (we will revisit these later in the study), an exporter generally has the following sales methods from which to choose at the outset.

Direct to Consumer. Export is sold directly to the ultimate consumer of the product, utilizing no intermediary in the transaction. This is commonly done in very small-size and dollar-value transactions, such as in handicrafts and home accessories.

Sale through Agent. Your product is generally sold on your behalf by an agent, and you pay him/her a commission based on sales made.

Sale to Distributor. Sale is made to a distributor (or wholesaler, importer), who takes legal possession of the products and then re-sells them to another buyer along the sales chain.

Sale to Retailer. Export is sold directly to the retail outlet (e.g., "big box" stores such as Wal-Mart, Costco) that imports products in large quantities or to smaller retail stores.

There are often misconceptions on the part of exporters about the above sales channels and the roles therein. "Agents" and "Distributors" in particular are frequently confused with each other. Nevertheless, there are important differences that need to be understood. A key difference is that a distributor *takes legal possession* of the goods, whereas an agent does not. Agents are generally paid a commission, retainer, or salary, for which they then facilitate the sale of your product in the target market. This might include finding potential customers or promoting your products. Distributors generally buy in bulk and maintain physical stocks of the products, which they then re-sell to retailers or end-use consumers. Wholesalers, like distributors, generally take legal possession, and buy in bulk quantities, which they then re-sell to distributors and/or retailers. When sales are done through an agent arrangement, the exporter's company/brand name is maintained, whereas distributors, who have taken legal possession of the goods, will often sell them under a different name.

Agreements. In either case, it is advisable to have written agreements in place with your agent or distributor that clearly and concisely outline the responsibilities of each party. Although there are broad and generally understood definitions of agents and distributors, it is important to note that, as an exporter, your particular business arrangement is governed by the specific terms of the agreement that you sign.

Some of the most important matters that need to be considered, and therefore included in any agent/distributor agreement, are:

- Who are the specific parties covered by the agreement?
- What products are involved?
- What area/territory is covered?
- What is the period of agreement?
- Which party maintains ownership of the brand name?
- What are the procedures for return of defective goods?
- Is the agreement exclusive or non-exclusive?
- Does the agreement include an option for early termination; if so, what are the acceptable/agreed-upon causes?

Many agents or distributors maintain pro forma agreements. As an agent/distributor agreement forms the legal bond between you, the exporter, and your business partner, whichever document you ultimately sign, it is critical that you negotiate all of the necessary details and ensure that you understand all of the ramifications *before* a legal relationship is established and business transpires. This might require the use of independent legal advice. Confusion and misunderstandings can arise due to a lack of an agreement or one that is poorly written. It is important to remember that commercial disputes most often arise due to a lack of understanding of the agreement terms rather than any kind of malicious intent. Having a good agreement in place can preempt any such problems and ensure a smooth business relationship. As with any potential business partner, it is always a good idea to obtain references and run any necessary background or credit checks.

Each sales method has its pros and cons, of course. Selling under an agent arrangement generally involves higher costs to you, the exporter, due to the need to maintain stocks but, on the other hand, you maintain more control over the business arrangement given your legal possession of the products. This control includes, critically, pricing of the products, and hence the profit you will make. When selling to a distributor, in relinquishing legal ownership of the goods you also transfer the cost of storage/stock maintenance, which ultimately results in a lower price to you. But the benefit of distributors (and even more so wholesalers and "big box" outlets) is that they buy in bulk quantities or minimums, which can assure a defined stream of orders. Of course, much of your own strategy will depend on the size and capacity of your company. The minimums demanded by many large importers are often beyond the production capacity of a small or medium size exporter. But there are other considerations as well, as we will see.

FACTORS AFFECTING A FIRM'S MARKET PENETRATION STRATEGY

Market structure of the particular sector. Due to the market structure of the cosmetics sector, selling through distributors and cosmetic chemists is the most common channel in the shea butter sector. Generally, U.S.-based distributors source multiple raw materials from throughout the world and then resell in smaller volumes to clients further along the value chain. The most common channel used for handicrafts and home accessories companies is through importers/wholesalers, as they tend to have the most beneficial terms, best prices, and generally are more willing to assist with product development and to deal with administrative and communications issues. For exporters with the requisite capacity, most volume comes from the "big box" retailers.

In the specialty foods sector, most firms work with an agent or distributor who handles orders from brokers or retailers and manages the logistics once the items arrive in the United States. In many cases, the agent/importer is the same entity. Some companies have been able to develop direct linkages with specialty retailers. Alternatively, some exporters appoint distributors who then market the products via wholesalers or retailers. Working directly with supermarkets can be quite daunting given the difficulty in securing shelf space; so many companies are content to sell via specialty and gourmet food stores. To overcome this hurdle, one model that has been successful for African exporters has been sales via a U.S.-based intermediary who markets individual products as part of a coordinated set to supermarket chains. (See the Talier Trading Group's African Specialty Foods business model described in the following section: Other Business Models and Strategies.)

In the apparel sector, many companies will work directly with buyers from a brand or retailer, while the remaining sell to importers. The line is often gray, as roles can be mixed. For example, Wal-Mart uses both buyers and importers. Some companies also take orders from sourcing agents based in the United States or in Africa. Some companies have their own agents in the United States who work directly with brands or retailers. In the furniture sector, the common sales channel is direct with the retailer/brand.

Size and production capacity of the exporter. In the cashew sector, for instance, companies lack the volume to deal with big importers directly. So, selling through agents is most common. This can also be true for smaller handicrafts companies, as they generally do not have the requisite capacity to meet large orders. In apparel, large companies are more likely to have agents in the United States, or maintain direct linkages with U.S. brands/retailers. Smaller apparel firms more likely opt to go through regional sourcing agents or sell directly to smaller brands/retailers that they may link up with through trade shows.

Price/quality of product. In the handicrafts and home accessories sector, companies with medium- to low-end quality/low-priced products that have the requisite capacity are able to sell directly to "big box" retailers. For those companies on the low-quality/low-price side that do not have the requisite capacity, direct sales to the consumer in very small quantities is often the only viable option.

Product's position along the value chain. Depending on the sector, whether a product is sold in raw/unprocessed, semi-processed, or fully processed (finished product) can be a determinant of which particular entry strategy is employed. In the shea butter sector, for instance, bulk/unprocessed shea butter is mostly sold through large distributors, while finished products (e.g., cosmetics, personal care items) are sold to smaller scale retail outlets, either directly or via an agent or distributor.

Given the dynamic nature of the international marketplace, a particular company will need to take into consideration all of these broad elements when determining an appropriate entry strategy or strategies. As companies evolve, their methods may also change. For example, as a company grows and increases its capacity, or becomes more experienced in or knowledgeable about the target market, it will often use different and additional sales channels. Sales under more specialized market conditions, such as organic or fair trade, can also lead a firm to modify or redirect the sales channels it employs.

In West Africa, *Naasakle*, a shea processing company located in Ghana began by sourcing shea nuts in Tamale and processing them under controlled conditions in its factory in Accra. Initially, the company sold small volumes of bulk shea butter to small-scale buyers. The company has now moved up the supply chain to look into quality control as well as organic and fair trade certification and has linked to a distributor in the United States.

Farafina Tigne, a Malian handicrafts company is one example of many that have moved from selling direct to consumers at fairs to taking orders through samples at trade shows with wholesalers/importers/distributors and retailers. In 2007, Farafina Tigne, along with another handcrafts company, received an order for more than 100,000 handbags from Hallmark.

In East and Central Africa, *Kasuku*, a Kenyan kikoi/beachwear manufacturer began exhibiting at trade shows in the United States, where it developed a relationship with a U.S. agent who is currently pursuing sales opportunities in the beach and leisure markets. Kasuku also has developed the cruise line and Caribbean markets, using an agent to develop and manage opportunities for its products. Kasuku's ultimate goal is to land a handful of large orders given its capacity to supply the necessary quantities, thereby moving up the chain from sales to small retail outlets.

Kenana Knitters, a Kenyan company, began directly selling in small quantities to the U.S. market. As it began to receive larger orders and increase its capacity over time, Kenana developed a business relationship with a U.S.-based importer specializing in the handicrafts and home accessories market. As the relationship blossomed and business soared, Kenana rewarded the intermediary with an exclusive arrangement. This model has enabled Kenana to land deals with some very high-profile retailers in the United States, including FAO Schwarz, Starbucks, and Nordstrom. Its workforce has more than tripled to meet the burgeoning demand.

In Southern Africa, many companies in the food industry have experimented with using distributors under an exclusivity agreement. The arrangements often have had limited success, leading the companies to seek more open (i.e., non-exclusive) agreements with distributors. A number of South African companies have also chosen to work with South African acquaintances in the United States given the level of comfort that this arrangement provides. Unfortunately, this has mostly not worked effectively, as ultimately these business associates have been unable to market their products adequately, leading the exporters to seek more seasoned and experienced distributors.

KEY QUALITIES OF A PROSPECTIVE AGENT/DISTRIBUTOR

There are a number of basic qualities that any good agent or distributor should possess.

- *Be financially sound.* In the case of a distributor, have the necessary working capital to keep products in storage.
- *Have knowledge of the particular sector(s).* This should include experience in the particular sector through active business activities.
- *Have experience working with African suppliers.* An intermediary who has previously worked with other African suppliers will provide a level of comfort and confidence given that Africa presents unique challenges.
- *Have an established distribution network.*
- *Have a current portfolio of successful companies within the sector.*
- *Have experience in the target market or sub-market.*
- *Have adequate resources for marketing and be able and willing to promote the product(s).* Particularly in the case of an agent arrangement, the intermediary is remunerated for finding customers for you and growing your export business. Part of this effort is promoting your product.
- *Be flexible and dedicated to growing your export business, in line with your own vision.* Many intermediaries prefer, or in some cases require, exclusivity that will give them exclusive rights to the distribution of your product (i.e., you cannot work with another intermediary) or to a particular market or sub-market, and will insist that a requisite exclusivity clause form part of the agreement. While it may be beneficial in some cases to have an exclusive relationship, it is generally best to keep the exclusivity period short in order to allow maximum flexibility. On the other hand, a good agent or distributor will be motivated to work with you at the outset, knowing that a good relationship developed over time based on mutual trust, a shared vision, and successful business is often the best path to a more exclusive arrangement. Agents or distributors that unconditionally demand long exclusivity agreements should generally be avoided.
- *Maintain open lines of communication.* Small misunderstandings can often arise, which due to lack of communication become larger disputes that threaten or ultimately terminate the business relationship.

OTHER BUSINESS MODELS/STRATEGIES

Other creative, innovative business models have been effective in helping African companies to establish themselves successfully in the United States.

African Specialty Foods. One such example is an African Specialty Foods program designed and managed by a U.S.-based company, Talier Trading Group. Talier Trading Group has worked in all regions of Africa, and indeed has engaged with all of the USAID AGCI Trade Hubs and some of their client companies. Talier Trading Group is not a typical intermediary in the sense that an importer, agent, or a distributor might be. It is a hybrid of sorts, but one that is finely tuned to the needs of the U.S. specialty foods consumer, and therefore the unique offerings of some of the leading specialty foods suppliers in Africa. Just as Colombian coffee famously had its "Juan Valdez" branding and certain countries or regions conjure images of a specific food brand, Talier Trading seeks to brand select African specialty foods under a branded, coordinated "African Set," which is then marketed to supermarket chains and specialty foods outlets throughout the United States. In doing so, the company provides a unique platform from which to market spices, mixes, and other indigenous, distinctly African products – a "brand," as it were, which it is hoped will resonate with the curious and discerning specialty foods consumer in the United States.

"Informal" business arrangements. There have been efforts by Diaspora groups in the United States to establish business linkages with their home markets in Africa.

In West Africa, the Trade Hub has been contacted by many individuals and groups and is aware of other such groups, but work with them has been more reactive than proactive. While many Diaspora groups appear to have a strong will to develop business ties, and might provide favorable payment or trade terms, long term this has not appeared to be a key target market as the volumes generally are smaller and the client relationships highly demanding. Additionally, in some cases there may not be a full understanding of the local business culture or international trade standards. Often efforts by expatriate Africans have not been very well organized. In some cases, they are run from home by a family member who is not fully invested in the project while handling a full-time job or pursuing a degree.

East African companies have likewise had mixed success with the Diaspora community in the United States. In Ethiopia, for instance, there is both a large Diaspora group in the United States as well as a fairly large community of Ethiopians repatriating in their home country after having lived, worked, or been educated in the United States. These persons are eager to develop trade links between their two countries, and in many cases have successfully invested in Ethiopia. But the success of a model predicated on U.S.-based Ethiopians marketing and distributing Ethiopian products in the U.S. market has been elusive. Similar situations exist for other countries in the region with large Diaspora communities in the United States, such as Kenya.

The South African Diaspora has been relatively effective in developing market linkages with South African manufacturers. Many food exporters have imported or distributed through South African compatriots. As many relationships, however, are based on convenience and affinity, rather than marketing capabilities, this often results in disappointment. The Diaspora community from Southern Africa in the United States is not as large as West Africa or the Horn of Africa, such that specific efforts targeting the Diaspora have not been used.

AFRICAN SPECIALTY FOODS

Talier Trading Group is a specialty food development company, specializing in helping international manufacturers create products for export and access the lucrative U.S. specialty food market. In 2006, Talier Trading Group launched its 39th international program: ***African specialty foods***. To date, the African specialty foods program, which includes more than 300 products from 11 African countries, has generated more than $5,000,000 in U.S. sales. Talier Trading Group's African specialty foods program is highly regarded as an effective export-led poverty reduction program and has won the support of many international development organizations.

The support for the African specialty foods program is unique in the food industry. Talier Trading Group, which hosts launch events coined "Taste of Africa," has enjoyed the support of government groups, international organizations, Africa-friendly celebrities, celebrity chefs, and tourism. The interest in promoting the concept of Africa runs across several industrial lines, and partnering around a consumer-driven program like this works. "The African specialty food program requires education ... not only about the food products, but about Africa in general," says Jim Thaller, CEO of Talier Trading Group. "American consumers have little knowledge of Africa, but are anxious to learn." In working in Africa, Talier Trading Group admits that there have been some unique challenges, but the basic business model is the same as in other locations.

Education about how the U.S. market works is critical. Manufacturers need to understand not only the legal requirements of exporting to the United States, but also the marketability of their products. "Products that help define the local culture are key," says Thaller. "Africa has a wonderful opportunity to define itself to the U.S. consumer with their cuisine ... just as India, Thailand, and other emerging markets have." To make African specialty food exports work, public/private partnerships are critical. Consulting groups like Talier Trading Group provide a streamlined approach to product development and market access, but they need the financial and logistical support of international organizations and government groups. "While groups like USAID, The International Trade Centre, and others provide an amazing level of support, it's equally as important, if not more so, to have the African governments themselves involved in the process," says Thaller. "African governments need to be involved in the development of these programs to effectively manage the process. Specialty food exports impact many areas of African life, and the benefits of running an export-led poverty reduction program needs to be managed. Additionally, they must see the viability of these programs, and provide the infrastructure necessary to foster agribusiness," he adds.

African farmers and manufacturers need government support by having:

1) The infrastructure to perform (e.g., roads, electricity, materials);

2) Access to credit from financial institutions; and

3) Access to information and markets.

The creation of national or regional specialty food associations (as is the case in the United States and Europe) is also critical. This streamlines the process tremendously, and creates a group dynamic that cannot be achieved otherwise. In South Africa, manufacturers from the Western Cape region have done just that, forming the Western Cape International Food Alliance. Together, they have been able to collectively hold educational workshops (with Talier Trading Group), make discounted bulk purchases on packing materials and ingredients, and consolidate containers for export.

UPS Trade Direct. One of the first questions posed by buyers to exhibitors at some trade shows is: "Do you have representation in the United States?" The reason is simple. Buyers want to know that they will have quick and efficient access to products that might be demanded by themselves or their clients. They want to have assurances that there will be no transit delays or other hurdles that might impede the business relationship. In short, they want the products on time and as promised, and understandably so. As a result, an exporter that does not have any form of representation or some level of presence in the market, such as a storage facility, for example, in many cases will not retain the interest of a potential business partner at the outset. This is not a hard and fast rule of course, but for an exhibitor participating in some trade shows (e.g., The Atlanta International Gift Fair), it is very much the case. So what do exporters do? The reality is that a large percentage of companies do *not* have such representation. However, there are other options available to exporters – options that are neither overly expensive nor complicated, which may provide a good solution for a company that is trying to establish durable business in the United States from a far-away market in Africa.

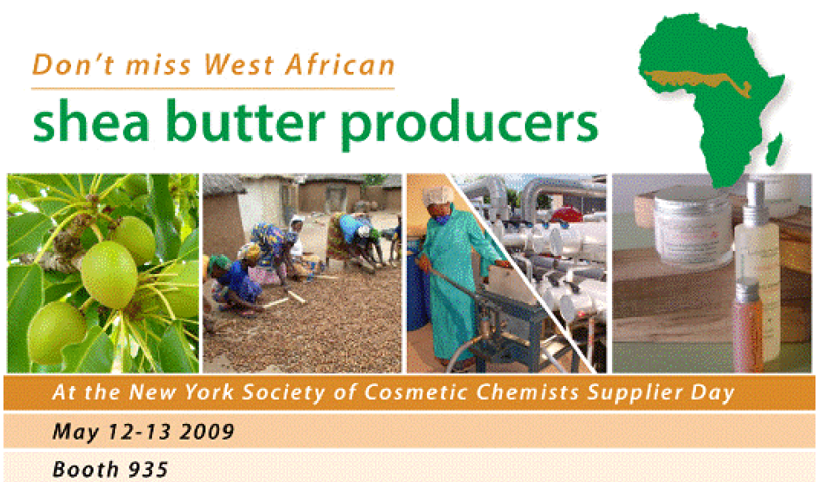
One such solution is a service that the author came across in the course of working with small handicrafts and home accessories companies in his role as Enterprise Development Manager at the East and Central Africa Trade Hub. It is a program offered by the United Parcel Service (UPS) called UPS Trade Direct. According to the UPS Web site (www.ups.com), UPS Trade Direct is "an integrated solution that allows shippers to bypass distribution centers by shipping directly to retail stores or customers' doors. Leveraging the UPS global network, Trade Direct consolidates international freight, air, ocean and ground transportation, customs clearance, and direct delivery to multiple addresses within the destination country, all through a single source." Among the common users of the Trade Direct service are international companies that are seeking new market penetration.

UPS and other international package delivery companies have responded over the years to the complexities of world commerce. In doing so, they have become providers of a full range of supply chain solutions, offering everything from transportation to documentation, inventory management and post sales repair, and returns on behalf of clients. Specialized services such as order fulfillment – where orders are processed, and products collected from inventory are shipped according to customer requirements on behalf of the company – can be a creative solution for small or new-to-market firms. At the very least, these types of services – providing an available alternative to an agent or distributor arrangement – enables the exporter to affirmatively answer "yes" to the above question when approached by an interested buyer. In doing so, exporters are able to demonstrate the seriousness of their commitment to the market as well as provide the buyer with a requisite level of comfort.

THE ROLE OF TRADE SHOWS

Trade show participation is of course an important aspect of a company's overall market penetration strategy. A commonly held belief is that repeat/sustained trade show participation is critical to a company's chances of success in the U.S. market. With this in mind, we looked at how project implementers approach the question of supporting companies' participation in trade shows.

Two internationally accepted best practices for generating access to new markets are direct advertising and exhibiting at trade shows. Direct marketing and advertising campaigns are highly costly and have low rates of return unless the specific consumer market is very well known and defined or the industry is small and organized and has limited supply sources. In the case of cashews for example, advertising and marketing campaigns can be effective, as demonstrated by the California Almond Board. Regular attendance at international trade shows, therefore, is an essential tool for a company seeking to penetrate new markets. Trade shows also enable project implementers such as the Trade Hubs to increase market understanding of entire sectors and regions. For example, within African Pavilions at various trade shows, not only are the companies that are exhibiting promoted but also more inclusive directories of export-ready companies in the various sectors/regions are distributed. Furthermore, critical mass is created in unknown markets, such as the Cosmetic Chemist Suppliers Days, where a new ingredient such as shea butter for cosmetics is not widely understood and is still underutilized.



West Africa Trade Hub's shea team prepared for the Cosmetics Chemists Suppliers Day Show on May 12 and 13 in New Jersey, USA. Participants from Burkina Faso, Ghana, Nigeria, and Senegal are exhibiting at this trade show.

Trade shows present an expensive commitment for individual African companies. However, when companies attend as part of a larger pavilion and in a group, costs are spread among organizations and other companies, enabling further market penetration and impact for the same investment. The participation also provides companies with the opportunity to meet new buyers/agents/distributors in person, as well as to observe the competition in the market.

The branding and marketing support provided is particularly important for effective trade show participation. In many cases, individual companies would be unable to invest the resources to make a significant impact at these large shows. By grouping the companies together under an "African Pavilion," as is often done, Trade Hubs are able to achieve greater visibility and impact. The Trade Hubs design the booth space to create an African feel and then market the booths to attract buyers that want a good representation of African products. To enhance the visibility of its exhibitors, Trade Hubs launch marketing campaigns before, during, and after the show. Weeks prior to the show, they e-mail notifications providing a list of the exhibitors and their products to several hundred potential buyers and visitors who had visited previous Hub-sponsored booths (or they purchase buyer list serves if offered by trade show organizers). During the trade shows, the Hubs also distribute brochures, catalogs with product photos, and exporter directories with producer contact information.

Typically, the Hubs sponsor trade show participation for a select group of client companies that demonstrate the greatest potential and, at a minimum, are deemed to be "export ready."[2] Support generally includes funding booth space and fixtures, marketing the group of booths, providing facilitation assistance during the trade show, preparing companies through pre-show trainings, and assisting with post-show follow-up and order facilitation (for producers and buyers). The individual companies cover the costs of their own travel, hotel accommodation, sample production, and marketing materials.

While they may find them to be useful learning experiences, first-time exhibitors generally do not see a significant level of orders resulting from the show (unless they had previous experience or engagement in the market that could be used as a launching point). Often, going to a show for the first time allows companies to develop initial leads that are nurtured in the time between shows, such that during the second show actual business is discussed.

Unless they are looking to fill a short-term need, most buyers, not surprisingly, want to ensure that a supplier relationship will be worth their time. Some buyers may check out a company, consider it for a future reference, and then seek it out at a future show. If that company is not present, the buyer's interest will wane (if not disappear on the spot). Credibility and perceived dedication to the market on the part of the exporter are key considerations of any serious buyer.

In most cases, Trade Hubs have found that business picks up a bit more for companies during the next (successive/second) show. The expectation is that by the time a company has attended two shows, it should have sufficient market knowledge and contacts to determine whether a third show is worthwhile. It is at this point that Trade Hubs may start asking for a greater contribution to the effort on the part of the company. This could be through coverage of non-travel aspects of the show, payment for their own booth space, or contributions to the shared costs of a Pavilion.

The Aid to Artisans (ATA) project in South Africa exhibits at the leading gift and design shows including SARCDA International[3], Design Indaba, and Decorex International. In the United States, ATA exhibits twice a year at the New York International Gift Fair; it has also exhibited at Maison et Objets in Paris, where it continues to have representation; and in West Africa, it exhibits at SIAO[4]. ATA feels that it is imperative for its companies to maintain a presence in the market, as buyers will usually want to see a producer exhibit up to three times before they are confident that the producer is there to stay and that they can reliably make a purchase from them.

It is important to note that trade shows are not a panacea, nor should they be viewed in that context. Trade shows should be considered as an essential, but not sole, aspect of an overall market entry strategy. It is also important to note that companies with which project implementers work, while all export-ready, have varying degrees of experience in exporting, not to mention different levels of comfort in a trade show environment. They are effectively at different stages of the continuum, so some level of unevenness is to be expected. For the first-timers, without question, trade shows are both huge

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[2] For a more detailed discussion of this topic, please consult the separate AGCI/KSA Brief, *Determining Export Readiness of Sub-Saharan African Enterprises.*

[3] South African Retail and Chemists Druggist Association

[4] Salon International de l'Artisanat de Ouagadougou

revelations and necessary learning experiences. Companies themselves often have pre-conceived notions of what a trade show is all about, and that first experience is often critical in re-framing their outlook and resultant strategy. Trade shows, particularly ones like MAGIC, are also very rarely about deals straight away. A comment from the U.S. agent of an experienced exporter from Kenya is very illuminating: “I have been attending the MAGIC show since 1970 twice each year and it is a show that is developmental and mostly about meeting new prospective buyers.”

The last point is an important one: accruing long-term benefit from trade shows requires repeat participation and a continuous presence. Frankly, buyers will not give serious consideration to companies that they see one year but not the next. This notion can be extended to Africa generally, and is particularly true for a show like MAGIC where you have all of the major apparel-producing countries and regions – Africa’s main competitors – represented, not to mention buyers that consistently need to be reminded of everything that African companies bring to the table. This includes AGOA tariff advantages, quality products, in many cases cost efficiencies, and niche product lines. And so this has important programmatic ramifications for all of the work that project implementers carry out as part of their overall mandate.

One last point on trade shows. The very fact that thousands of companies attend trade shows year in and year out, expending their own financial resources, and thereby recognizing the inherent value and worth of the effort to their own businesses, makes participating in them a universally recognized best practice in the context of an overall market entry strategy.

AFRICA PAVILION WINS MAGIC "BEST OF SHOW"

Collaboration leads to win over 1,350 other exhibitors

Las Vegas, Nevada | Wednesday, February 27, 2008

The Source Africa Pavilion at the MAGIC Trade and Apparel Show in Las Vegas, Nevada.

The USAID-sponsored Source Africa Pavilion has been awarded the distinction of “Best of Show” at the MAGIC Fashion and Apparel Trade Show. This year the event, founded in 1933 as an annual show hosted by the Men's Apparel Guild in California, featured some 1,350 exhibitors. MAGIC has become the largest, most comprehensive apparel and accessory trade event in the United States, bringing together retail buyers from around the world.

The Source Africa Pavilion was an exceptional collaborative effort from the USAID-funded ECA Trade Hub, Southern Africa Trade Hub, and West Africa Trade Hub. This was the first time the three trade hubs worked together on an exhibition and involved 15 companies from across Africa, including Cameroon, Ethiopia, Ghana, Lesotho, Madagascar, Mauritius, South Africa, Uganda, and Zambia. Four companies from East Africa were represented at the show. The pavilion held a strategic position in the Sourcing Hall and, according to MAGIC Sourcing organizers David Pennes and Jessie Zhang, it “put Africa on the map” as a viable apparel sourcing option. Judging by the buyer interest and volume and range of discussion held at the pavilion, the companies have good reason to be optimistic about potential deals.

EAST AFRICA PAVILION WINS TOP AWARD AT FLOWER SHOW

Team Effort Improves Marketing Prospects for East African Flower Companies

Miami, Florida | Monday, March 24, 2008

The East Africa Pavilion was awarded the trophy for Best Stand Design at the World Floral Expo in Miami.

The ECA Trade Hub organized the Pavilion for the third year in a row, sponsored all of the East African participants, and designed the Pavilion using the floral design consultants.

The 'East Africa Pavilion', a regional exhibit organized and sponsored by USAID's East and Central Africa Trade Hub, has won the Silver Award for 'Best Stand Design – National Pavilion' at the 2008 World Floral Expo in Miami, Florida. The pavilion highlighted East African floral products from eight companies in Kenya, Ethiopia, Burundi, and Uganda.

The expo is designed to provide a venue for companies from around the world to show off displays of their new products to U.S. floral wholesalers and high volume retailers. Close to 500 buyers visited the three day show, which is fast becoming the number one event for the U.S. floral industry. Importers were able to visit 150 exhibits from 19 countries and wrote deals worth thousands of dollars.

This is the fourth year of the trade show, and the third consecutive year that the ECA Hub has sponsored East African flower growers to attend. Africa's presence and its unique products are beginning to be noticed within the sector. As a direct result, trade contracts and contacts were made that will increase the flow of goods exported to the United States from East Africa. According to Finn Holm-Olsen, Manager of the ECA Trade Hub, "East African flowers have had established markets in the EU via the Dutch auctions for years, but the U.S. market has been elusive, largely due to lack of direct transport links. Many of our companies are keen to develop/increase linkages with U.S. entities and sell directly in the U.S. market as they do in Europe. This award is recognition of the fact that the competitiveness of the cut flowers sector across East Africa is beginning to resonate in the United States. With growing awareness among buyers in the United States – and the pending direct air connection between Nairobi and New York – that dream is closer to reality."

THE EAST AFRICA PAVILION FEATURED FLOWERS FROM KENYA, ETHIOPIA, BURUNDI, AND UGANDA.

With respect to trade shows, the African Pavilion concept has been hugely successful, resulting in shared efforts and resources, economies of scale, and branding for maximum effect. Individual companies sell themselves at the end of the day, but a coordinated marketing and promotional effort gives exhibitors an added boost. No longer lost in a large pool of Chinese producers (in the case of MAGIC) or Latin American growers (in the case of the World Floral Expo), African exhibitors are beginning to draw serious attention (and business) from buyers that are learning of the benefits of doing business with African firms.

IMPORTANCE OF "THE STORY"

Telling "the story" has been a very important marketing tool for many companies in Africa, and particularly so in small and "cottage" industries, such as within the handicrafts sector. For West African products, "the story" includes both the cultural background (consumers want to know that the product is authentically African and has cultural significance) and the production origins (organic, fair trade, handmade), and in many cases "the story" includes the direct and indirect economic impacts of sourcing products in impoverished countries. Project implementers encourage all of its client companies to have marketing materials that tell the story behind the products they are selling as well as the people that make them.

Highlighting the unique people, products, and processes in Africa has become an important aspect of an exporter's market strategy also, because the buyers (retailers and consumers alike) have begun to demand it. This has been particularly true in the past few years. "The story" also gels with other market-driven forces, pushed by the buying community, such as fair trade and the overall "green" movement.

In West Africa, Village Artisanal d'Ouagadougou is currently selling handmade ornamental "bugs" to Crate and Barrel in the United States. The bugs are made from recycled cans, and Crate and Barrel has requested the full story of how they where made, what they where made from, who made them, and where they come from, so that the company can then use the unique story as a selling tool.

Another example is the shea story. As much as shea is now known and marketed in many products throughout the United States and Europe, the majority of people who recognize the value of shea still do not know that it is entirely a women's wild harvested product originating solely from Africa.

In Southern Africa, Elephant Pepper has created chili sauces inspired by the conservation work of the Elephant Pepper Development Trust, a non-governmental organization that teaches farmers to plant chilies, or "elephant peppers," to deter elephants from raiding their subsistence crops. Elephant Pepper uses in its sauces the same chilies despised by the elephants, thereby encouraging farmers growing chilies for food security to grow these items as a cash crop as well.

In East Africa, thousands of women have found employment as basket makers a result of the work of two enterprising sisters in Rwanda. All of the women were touched in some manner by the 1994 genocide in Rwanda, having lost husbands, children, and in some cases entire families. A high-profile deal with Macy's was the catalyst; women across the country are now producing baskets for the company, which through a coordinated marketing campaign has sought to highlight the rich heritage of the country, the fortitude of its people, and indeed some of the highest quality, finely woven baskets on the African continent.

THE WEB AS AN EXPORT TOOL

Even though an effective Web presence is very helpful, it has not to date been a critical success factor for many companies in the region. However, effective Internet communications and use of information and communications technology (ICT) tools are essential to the export success of most companies.

Maintaining a Web site helps to establish credibility with buyers who are used to learning more about a company electronically. That said, a majority of companies do not have the resources to develop Web sites that are able to provide effective marketing, or more advanced tools such as e-commerce platforms, where online transactions are possible.

Companies that have a particular story to tell generally can use Web sites as a marketing tool. The site can be used to tell a story in a way that a label cannot. In the apparel industry, a number of companies and contract manufacturers have Web sites, but their depth is limited and often are little more than product brochures. Often the platform is basic.

The West Africa Trade Hub recently launched an initiative, EBizBox, to increase the ICT proficiency of its client companies and to help companies develop a Web presence. To develop this initiative, the Trade Hub has a strategic partnership with Intel as well as with local providers who offer a low-cost, easy-to-use Web platform so that companies can create a basic Web site with their own domain names.

Overall, e-commerce sites have not played a major role in generating export sales in most African markets. E-commerce capabilities are of course dependent on the host country's ICT and banking infrastructure, and the interaction between the two, with some countries like South Africa being fairly advanced in terms of e-commerce. In addition, Internet banking is a reality that eases the complexity of receiving and sending payments. Nevertheless, project implementers working in the home décor and fashion accessories sector report that there are currently only a handful of firms that rely significantly on e-commerce, and fewer still – those with sales and distribution bases in the United States – that generate significant sales. Even where e-commerce capabilities are present, the shipping and logistics solutions for such delivery to external markets can be prohibitively expensive.

There are other examples of e-commerce sites that service only the domestic market. In other cases, particularly where e-commerce is not possible, companies are able to use Web sites to accept orders from foreign markets and then execute the actual sale and accept payment via other means. Although not considered true e-commerce, the Web site nevertheless serves as a sales-generating vehicle.

Some companies have arrangements for U.S.- or EU-based e-commerce. This can happen when they have an importer/distributor with stock in warehouses that can manage orders. Examples include Elephant Pepper in South Africa, which has its own site for sales (www.elephantpepper.com) in the United States and other markets. In Kenya, the aforementioned Kasuku is able to manage orders to

European and U.S. markets through its sales office in London. The challenge for such an arrangement is that one needs to be able to bear the cost of warehousing, as well as have the necessary working capital to maintain adequate stocks.

While e-commerce is one of many marketing platforms, most companies do not have the resources to develop a mainstreamed site that would generate sufficient turnover to replace more traditional sales channels. Rather than looking to develop their own sites, companies may wish to link up with a range of online retailers using traditional direct marketing efforts. For example, the aforementioned Gahaya Links in Rwanda is able to market and sell its products via Macy's Web site.

KEY GAPS IN OVERSEAS MARKETING/REPRESENTATION

During the course of this study, project implementers were asked to identify what, in their experiences, are some of the key gaps that exist in marketing and representation of African products and firms in the United States. In doing so, we hoped to specifically identify where the greatest needs are, both from the perspective of an exporter and, more broadly, the project implementers that provide programmatic support to such firms.

Lack of access to finance. Project implementers report that even when client companies receive orders from international buyers, many are unable to secure the necessary financing to fulfill them. In West Africa, the Trade Hub has launched an Access to Finance Initiative, working with West African banks and financial services organizations, international investors, and client companies to educate all parties about the types of financing needed and responsible lending and borrowing practices, to identify new financing sources, and to modify current attitudes and practices concerning financing.

Lack of reliable distribution systems. In the home décor and fashion accessories sector, the supply of products seems to far outnumber the capacity of distributors/importers/wholesalers to handle and market products, and product offerings currently on the U.S. market are limited. There are few actual distributors of African products (i.e., are responsible for distribution to retailers only, rather than product development, buying, marketing). Currently, retailers avoid placing orders for products they want, because there is not a good distribution system in place – they are not equipped to handle the logistical and administrative work associated with importing.

In some industries, getting on the shelf costs money. For example, grocery stores often require slotting fees or promotional budgets to put a new product on the shelf (and in some cases keep it there). In many cases, distributors will look to the manufacturer or exporter to split these costs. Often, manufacturers do not have the financial resources for this (or find it hard to accept that they must pay to sell their products). Thus, they find themselves at a disadvantage. In some cases, this has been resolved by efforts to market a number of products together to buyers, as is the case with the previously discussed "African Set" of specialty foods. This allows companies to share the cost of promotions and present a larger, more interesting product selection.

Lack of marketing. Buyers and retailers in many sectors do not see Africa as a viable sourcing location, or are not fully aware of what the region offers in terms of product selection, quality, and duty-free access. As a result, Africa is either overlooked or viewed with skepticism. This tends to put African companies behind the curve from the outset, presenting them with a very real challenge that must be overcome. While this effort is being addressed by such Hub initiatives as Source Africa at MAGIC in the apparel sector, a more sustained market presence is needed to educate buyers and develop awareness as to what Africa as a whole and individual African companies bring to the table. This necessitates going beyond trade shows to include "boots on the ground" efforts – activities based in the United States – to market products from Africa. As discussed previously, there have been some efforts launched by various Diaspora communities to accomplish this, but clearly a more sustained, coordinated, and strategically focused effort is necessary.

Africa Fast Track Trade (AFTT), a USAID-funded program managed by the International Executive Service Corps (IESC) until concluding in 2007, was a good start. Working in close collaboration with all of the Trade Hubs, AFTT effectively acted as a marketing arm for those project implementers, and thus the many companies that they supported. The lack of such an arrangement at present has created a vacuum, underscoring a large, unmet need.

While project implementers are equipped to work with companies on the ground in their individual markets to prepare them to export to the United States through targeted technical assistance and market linkage support, they do not have the resources or structures in place to accomplish a more direct and sustained program in the U.S. market. Sector-specific buyer missions to Africa have been successful due in large part to the targeted nature of the intervention; likewise, an established marketing/ linkages resource in the United States would be a complement to the ongoing programs of assistance on the African continent.

CRITICAL SUCCESS FACTORS – BEST PRACTICES

We have talked in detail about project implementers and the tools and assistance programs that they offer to the exporting community in Africa. And even though these project implementers can and do advise the companies with which they work on various strategies for representation overseas, ultimately it is the company itself that must decide on the best way forward – a strategy that meshes the characteristics of its own company and products with the nature and structure of the relevant sector. With this in mind, the following best practices are directed to exporters in particular.

WHAT IS A BEST PRACTICE?

as defined at the AGCI Hub Meeting in 2008

- The practice works! Although this seems obvious, a best practice must clearly be recognized as effective and successful.
- The practice addresses a clearly defined need and therefore is relevant to those persons targeted.
- The practice must have an objective/ standardized process that is capable of delivering results measurable either quantitatively or qualitatively (e.g., buy-in from the participating firms as demonstrated by their willingness to co-pay for their involvement).
- The practice or the outcome of the practice is sustainable through the life of the activity and beyond.
- The practice is replicable across environments to expand the benefit of the activity to areas not yet assisted.
- The practice is adaptable to many different environments through consensus, not compromise.
- There must be buy-in for the implementation of the practice from the respective stakeholders.
- The practice contributes to a more efficient use of resources.
- The practice moves toward compliance with recognized (international and local) norms of operation.
- The practice clearly identifies actors needed for implementation.

Best Practices in Overseas Representation

1. Have a clear understanding of the market dynamics of the particular sector in which you operate, as well as your own company's product positioning (price/quality) and production capacity.

Different sectors present unique challenges to market penetration, which can dictate the best sales channel to pursue. As we have seen, it is important to take into consideration a full range of factors when deciding on a strategy that makes the most sense for your company. Critical, too, is taking a full account of your own company's capacity and product positioning.

2. Understand the inherent differences between the various sales channels to be utilized.
Some successful exporters in Africa, particularly those with smaller capacity, have found that they were able to move up the chain, as it were, from selling in small quantities at first – either direct to consumer or retailer – to more advanced business relationships where, for instance, the business partner is able to market its product and gain incremental new buyers, in line with its production capacity. Time and comfort with the market can also be a factor, which often argues for a staggered approach to market penetration, particularly for new-to-market firms.

3. Understand the differences between potential business partners and the roles and responsibilities therein.
Agents and a distributors offer distinct approaches to getting your product to market, which has important implications for how your product is ultimately sold. If a business relationship with an intermediary is pursued, be certain that all of the parameters of the arrangement are understood by both parties and communicated clearly in a written agreement that outlines the requisite roles and responsibilities of each party. If an exclusivity clause is present, be sure that it allows you, the exporter, maximum flexibility to either re-define or exit the arrangement if necessary.

4. Maintain and utilize a checklist of qualities that a good agent/distributor should offer.
When seeking out a business partner in the target market, limiting the search to those who have experience working with African suppliers and in promoting African products in the United States is generally prudent. Having experience in the particular sector and existing, established business relationships with retailers and wholesalers in the market are key, as well. The importance of personal relationships also cannot be overstated given the level of trust that is needed, especially when inevitable problems or misunderstandings arise. But, as we have seen with various attempts to engage Diaspora contacts, this may need to be developed over time rather than predicated on a pre-existing relationship that may not necessarily be defined by mutually beneficial business ties.

5. Exhibit at trade shows in the target market.
Trade shows are a proven best practice for making valuable contacts, developing sales leads, and learning about the dynamics of the market and the sector or sub-sector and the competition. Repeat participation is crucial, both for critical follow-up and developing communication and trust and with potential buyers.

6. Devote time and attention to "the story" of your particular company, product, or brand.
The practice of telling your company's unique story, especially in smaller cottage industries, has become an increasingly important marketing tool. This is particularly true in recent years, as buyers of African

products – from large retailers to small boutique shops – have sought to satisfy both their own socially conscious purchasing practices as well as those of their increasingly discerning customers.

7. Maintain, at a minimum, some level of online presence, i.e., a company Web site.

Many potential business partners or buyers will seek out a supplier's Web site on the first encounter. Lack of such a presence can cause interested business entities to lose interest at the outset. Based on your strategy – and the particular options/limitations of your country's ICT infrastructure – consider developing further online tools to grow your business and create awareness of your product. Linking up with online retailers and/or Web sites of other business partners can also serve as a useful outlet to further market your product overseas.

ANNEX I: RESOURCE LIST

The following resources were consulted in the preparation of this report.

SEGURA/IP3 Partners, "Best Practices in African Enterprise Development" 2008

Export Guides, "West Africa Trade Hub" 2006

West Africa Trade Hub, "Quarterly Reports" 2007 and 2008

East and Central Africa Trade Hub, "Quarterly Reports" 2007, "Final Report" 2008

Southern Africa Global Competitiveness Hub, "Quarterly Report," 2007 and 2008

U.S. Trade Representative, "AGOA Annual Report" 2008

Since its establishment, Muya Ethiopia PLC has participated in a number of trade fairs in New York / Atlanta - USA, Montreal / Toronto - Canada, Frankfurt – Germany, and in Cape-Town – South Africa.

Photo: VEGA MUYA Fabrics

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